

# **GOOD WINE BUYER AND SUPPLIER PRINCIPLES**

*A Code for Fairness  
and Transparency.*



**WOOLWORTHS LIQUOR GROUP**

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## ***Good Wine Buyer and Supplier Principles***

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### PREAMBLE

The primary obligation of Woolworths Liquor Group (WLG), both in its own right and in the best interests of its wine suppliers, is to place retail customers at the centre of everything it does.

WLG also recognises that its role in delivering the highest quality products and the best available prices to its customers is only possible by entering commercial partnerships with wine suppliers that are mutually beneficial to WLG and wine suppliers and which promote a sustainable and diverse industry.

The Australian wine industry is highly fragmented. Large multinational entities market brands alongside small local producers, and sell through a diversity of outlets from retail chains, hospitality outlets, single stores, online and boutique cellar doors. This requires a flexible approach from WLG to the commercial relationship, particularly for small and medium sized enterprises.

WLG and the Winemakers' Federation of Australia (WFA), acting for the benefit of Australian wine producers and for customer choice, agree that WLG and wine suppliers will act honestly and deal fairly with each other and will be transparent in their processes and decision making, within the limitations of commercial confidentiality. WLG will reflect these good wine buyer and supplier principles set out in this

document (the Principles) and WFA will encourage wine suppliers to do likewise in all agreements and dealings. Implicit and explicit in this approach is that neither party will in any way unfairly disadvantage the other for requesting adherence to these Principles.

WLG and wine suppliers agree to honour the spirit and intent of these Principles which will be supported through the dispute mechanism of this code that allows a review of any decision or action deemed unfair or contrary to these Principles by a third party agreed to by WLG and WFA.

A joint forum made up of WLG and WFA representatives will ensure the Principles are publicised and promoted; monitored for compliance; and regularly reviewed. Each organisation will also appoint a Compliance Manager as the first point of contact in understanding how the Principles work.

WLG and WFA will formally review the Principles every two years from 1 July 2014 to consider any changes in scope and content necessary to ensure their on-going relevance and effectiveness.

WFA and WLG have developed a plain-English guide to these Principles which should be referenced and considered when negotiating a commercial agreement.

### PRINCIPLE 1: A FAIR AND CLEAR COMMERCIAL RELATIONSHIP

- 1.1 WLG will deal fairly and lawfully with wine suppliers without distinction between formal or informal arrangements. Parties will record all formal and informal agreements in writing as soon as possible after an agreement has been reached.
- 1.2 WLG recognises wine is an agricultural product that is subject to seasonal variation and long production lead times. This can vary production, delivery and payment risks and costs of trading for suppliers and this in turn may require reasonable price adjustments to be considered against prevailing market competition. To give certainty, WLG and wine suppliers will provide each other with as much notice as reasonably possible regarding any change to supply chain, ordering, invoicing, delivery or packaging requirements, and will minimise any detriment or disadvantage caused by those changes.
- 1.3 WLG will ensure that wine suppliers are fully informed throughout all aspects of the commercial relationship and, when negotiating an agreement, explain all trading terms, ranging and rebate expectations, methodologies and how these apply in invoicing and payment practices to enable wine suppliers certainty in business planning and to set in place

appropriate accounting, accrual and audit systems. WLG recognises that smaller suppliers may take longer to adapt to changes in invoicing.

- 1.4 Trading Agreements with wine suppliers will not allow for unilateral changes by either party and will be drafted in clear, plain English and unambiguous terms, setting out the circumstances in which activities will be undertaken and how. Where requested or agreed, WLG will provide information or data to enable verification of all rebates, marketing and promotional claims.
- 1.5 At all times WLG will respect the rights of suppliers to work through distributors and distributors should respect the rights of wine suppliers that elect to utilise WLG national distribution and logistics infrastructure as a direct route to market.
- 1.6 Wine suppliers should remain aware of WLG expectation of receiving an offer of supply at a price commensurate with the commercial advantages WLG can provide, such as national distribution, disciplined execution, volume sales and certainty of payment.

### PRINCIPLE 2: CLARITY IN MARKETING AND PROMOTIONAL ACTIVITY

- 2.1 Promotional activities where the wine supplier agrees to provide pricing support should be agreed in advance and be for a predetermined period that can only be extended by further agreement. WLG retains the right to select and rapidly respond to competitor activity, but should endeavour to give the wine supplier advice of any variation or change to promotional activity permitted in an agreement or promotional program with appropriate notice and details of the reasons for the change. In the event of any hardship or unreasonable disadvantage arising from the variation or change, either party may seek to negotiate a mutually acceptable outcome.
- 2.2 Wine suppliers may from time-to-time be offered the opportunity to participate in over-and-above promotional activity such as seasonal catalogues, buyers guides, receipt offers and sponsorship opportunities, etc. Participation in any of these activities is at the wine supplier's sole discretion and all negotiations on promotional activity will give due regard to the value of the participant's brand and a fair division of the costs of the promotion between WLG and wine suppliers.

- 2.3 WLG reserves the right to conduct promotional activity with a view to ensuring:
- a) retail customers receive the best possible value;
  - b) the sustainability and continued vibrancy of Australian wine suppliers;
  - c) WLG meets its category objectives in sales and margins; and
  - d) the preservation and enhancement of brand equity for both WLG and its wine suppliers

And similarly WLG will respect the right of each wine supplier to set its wholesale price and promotional activity with WLG which seeks to meet the wine supplier's objective on sales and margins.

### PRINCIPLE 3: OPEN, HONEST AND EARLY COMMUNICATION

- 3.1 WLG will use best endeavours to maintain ongoing open dialogue with wine suppliers on the performance of their brands within the WLG range and as part of a range review. Wine suppliers should constantly monitor the performance of their range and understand which lines may have the potential for delisting before a range review and make sufficient preparations should this eventuate.
- 3.2 Wine suppliers are encouraged to monitor [www.wlgpartners.com.au](http://www.wlgpartners.com.au) for notice of any range review. The primary purpose of these reviews is to best reflect what retail customers are seeking while taking into consideration margin expectations, rate of sale, market trends and performance of a product versus its competitive set. The outcome of the review, including a decision to de-list a product, will also be communicated at the time the action is taken and will include advice on the benchmarks and indicators used to determine deletion. Range reviews generally take between ten to twelve weeks to finalise.

- 3.3 WLG and wine suppliers will keep confidential any information not already in the public domain regarding all aspects of each other's business and only use that information for the purpose for which it has been disclosed. Confidential information includes, but is not limited to: business plans, pricing, promotions, discounts offered, financial condition, results of operations, intellectual property, brand development, product development, marketing strategies or any development plan.

## **PRINCIPLE 4: PROTECTION OF INTELLECTUAL PROPERTY**

- 4.1 WLG and wine suppliers will respect each other's intellectual property, branding, packaging and marketing strategies and will not take any action which could reasonably be seen to devalue, or unfairly capitalise upon, the intellectual property of the other.
- 4.2 Unless requested by WLG and agreed by the supplier, WLG will ensure that confidential supplier information (including the categories of information described in clause 3.3) is not shared with Pinnacle Drinks (WLG's wine making and contracting business).

## **PRINCIPLE 5: DISPUTE RESOLUTION**

- 5.1 Suppliers should be encouraged to first seek resolution directly with the respective WLG buying team and are able to request a review by the respective banner Merchandise Manager. If still unresolved, the wine supplier can request a review by the WLG General Manager Merchandising.
- 5.2 Where matters cannot be resolved, the wine supplier can have the matter referred to WLG's and/or WFA's Compliance Manager to conduct a review.
- 5.3 Where matters are still unresolved to both parties satisfaction, an independent expert will be appointed from a list of experts agreed to by a panel of WLG and WFA representatives.
- 5.4 Wine suppliers are also encouraged to put in place a mechanism to allow for a review of any decision relating to its relationship with WLG that it deems to be unfair or contrary to these Principles.
- 5.5 WLG and WFA will, based on cases which may be the subject of a dispute, issue guidelines or advice to wine suppliers to minimise the issue arising in the future with other wine suppliers and they together or separately issue other guidelines which they see as desirable to give effect to the spirit and intention of the Principles.

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**Tony D'Aloisio AM**

President

Winemakers' Federation of Australia

August 2014

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Director of Liquor

Woolworths Limited



WOOLWORTHS LIQUOR GROUP